

## “THE NEW SOUTH”—FINANCIALLY REVIEWED.

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AT the close of the war the South was a financial wreck. All agricultural interest was in chaotic ruin. All commercial matters were stiffened in rigid convulsion by the shocks of war. Every branch of trade was stripped of its support. All manufacturing industries were paralyzed. All facilities for transportation were cut off, or crippled by the wide-spread devastation. In this sad plight, the New South was ushered into historical existence, and, as a climax to her destitution, she was bereft of state, municipal, and individual credit. The whole system of labor had been so violently disturbed and suddenly revolutionized, that every industry stood on the verge of destruction. On such a state of affairs there could be no substantial credit, and, consequently, values of every description contracted with a severity that threatened universal bankruptcy. Prior to the war, the great bulk of all that section's fortune was concentrated in slaves and land, and in the dawn of this new era one constituent part of that wealth was absolutely obliterated, and the other, because of its supposed dependence on that, became unavailable possession and suffered extreme depreciation. Enormous debts, private and public, had been contracted through the reckless extravagance induced by the inflated currency of war times, and now all these obligations seemed beyond the possibility of adjustment, except by wholesale repudiation. Corporations were dismantled of their equipment, and crippled in their capacity. Cities were wrapped in gloom and destitute of thrift; and even the States were ruptured in every department and wasted in treasury. All local government was virtually out of harmony with law and order. In this state of almost utter despair, the people stood transfixed by the oppressive darkness of that hour, which was just before the dawn of a new epoch. That blessed dawn soon came, breaking with its shimmering light of

promise above the heavy clouded horizon, awaking the people to new strength, new hope, new energy, and new life, all of which combined in sacred pledge to make the New South.

The people soon adjusted themselves to their new relations, and began work with a steadfastness of purpose that bespoke determination in every energetic stroke. Various branches of business were nursed back into health by watchful care and untiring zeal. The diversified manufacturing interests were steadily revived through the encouraging return of local self-government, and the renewal of active trade. Seriously damaged, and even totally wrecked, railroad properties were gradually repaired and rebuilt, until the indispensable means of transportation were thoroughly re-established. The new system of agricultural labor was adopted in good faith, and the wage-worker proved a no more formidable element in the cost of production than had been the expense of supporting the slaves in former times. The extreme hardships which were suffered, and the privations endured during this season of severe struggle, developed a wise frugality and talent for economic management hitherto unknown among that people, who, in previous years, had been noted for their prodigal extravagance and lavish luxuries.

Slowest of all to recover from the destroying evils of war was public and private commercial credit. Corporations continued for several years without the support of advantageous loans, and individuals were strictly confined to a cash basis in their negotiations. To illustrate the latter phase of this fact, one unique instance is sufficient. As late as 1875 a prominent house in Augusta, Ga., telegraphed a very large establishment in New York City, asking the price of sugar. The reply gave no quotations, but simply said, "We do not sell South." Things have changed. To-day that same establishment sends its traveling salesmen from one end of Georgia to the other, and every mail carries many price currents and circular letters to Augusta merchants soliciting their patronage.

Foreign capital was timid and tardy in creeping back into the reconstructed States, but, as it ventured cautiously across the border lines, it saw in the wide expanse of fertile fields, and in the fast flowing channels of growing trade, an abounding security for promises to pay, and soon began to lend itself liberally to the continued development of the natural resources, and the rapid

recuperation of the scientific industries of the section. Through this assistance, confidence at home and abroad was hurried to restoration, and returning prosperity quickened its pace to the sweet music of better times. All property improved in value, and many assets that had long been regarded as unavailable and nominal were revived into marketable appreciation.

This bright season of triumph lifted the people into the heights of pride and rejoicing, and, intoxicated with their brilliant success, they flung themselves for a brief season into the delirium of speculation, which jeopardized their recuperating credit and checked their healthful prosperity. They learned quickly the fatal error of this course, and at once re-established themselves in the conservative habits of legitimate business and profitable industry. There is comparatively very little speculation to-day in the South, while several years ago the dangerous practice prevailed to an alarming degree. The universal boom in 1880 throughout the country, spread wide the passion for rapid gain, and the inordinate advance of values stimulated the natural "bull" spirit of the Southern operator, and made him reckless in his ventures. Profit piled upon profit through the fictitious appreciation in all classes of securities, until visions of quick-coming wealth danced through the fevered brain of hazardous traders, and nearly all men became imbued with the spirit of the times, and, adopting that dangerous motto, "nothing venture, nothing have," took desperate part in the "big gamble."

The natural reaction from the unreasonable height to which prices attained had necessarily to come, and when it did, the decline was sharp and violent. The general collapse caught the South for many millions of dollars, and, while the losses were severe, the reformatory effect was worth all it cost. The burnt children have been very timid of the fire since. Ask any Wall street broker or member of the Chicago Board of Trade how the amount of speculative business being done by the South to-day compares with its volume of five or six years ago, and hear their report of how enormously it has fallen off. They are eminently competent witnesses in "the case at bar," and their testimony is invaluable for proving the re-established conservatism in trade, and contentment with the legitimate rewards of labor.

The South is on firmer financial basis to-day than she has been since the war. By way of palpably demonstrating this creditable

fact, permit us to offer a few comparative figures and relative statements.

At the close of the war the largest cotton crop which had ever been produced under the slave system of labor was 4,861,292 bales, in 1859 and 1860. For the crop year which closed Sept. 1st, 1883, the report of the *Financial Chronicle* gave the unparalleled total of 6,992,234 bales. Make every allowance for the more liberal use of commercial fertilizers that season, for the exceptionally favorable weather and the unusual extent of acreage, and still, there is in those enormous figures too great increase to ignore the proven efficiency and gratifying results of hired labor in agricultural pursuits. Neither is the tremendous yield of that year apt to dwarf its near successors. The popular estimate of the current crop is over six and a half million bales.

The chief disadvantage which is experienced with the present system of labor is the irresponsibility of the negro in making a contract for his services. He will agree to work for a year on certain terms, which are usually part for cash and part for supply of rations. He has a marvelous talent for overdrawing both accounts, and, after getting in debt, he is more than apt, regardless of the value of his services at that immediate time, to utterly ignore his contract and quit the premises. This evil, it is hoped, will be materially corrected when the negro shall have been educated up to a proper appreciation of the binding obligation of promises. Until then, the farmer's only apparent remedy is a constant cultivation of patience, and an exercise of close discrimination in employing his hands.

The cereals are being more widely sown, which indicates an increasing appreciation of diversified crops, and with a still wider practice of this plan will surely come better returns to the planter. Some improvement in stock-breeding, and considerable increase in the raising of blooded cattle, are to be generally noted. These conditions in the present farming interest of the South of course contribute valuably to the general welfare, and do much for the health and strength of the financial situation.

Looking directly to money matters, as they were and as they are, the first thing that commands attention is the ruling rate of interest. For some time after the war money was scarce at any price, and for several years first-class commercial paper could rarely be discounted at less than 12 per cent. Even that rate was

a matter of favor to a select few. The great majority of notes were negotiated at 1½ per cent. a month. These exorbitant and ruinous rates have, to the great relief of commercial affairs, gradually lessened, until to-day the predominating rate of interest on good paper throughout the Southern States is 7 per cent., and choice loans can easily be placed at 6 per cent.

A moment's reflection on the immense saving between these extreme rates furnishes splendid and substantial evidence of the improved credit and financial betterment of the section. All desirable securities, too, have improved in the ratio of that reduction which has been made in ruling rates of interest. State, municipal, and railroad bonds, which were *then* sunken low in disfavor and distrust, are *now* marked up in the range of liberal premiums. Of State bonds, those of the Carolinas, Georgia, and Alabama stand best. For Virginia, Tennessee, and Louisiana so much cannot be claimed, but it must be remembered, with charity and patience, that they suffered most during the terrible conflict. To make comparative figures, it is only necessary to use one State, a few cities, and two or three railroads. These will serve to illustrate the general principle.

In selecting Georgia for these comparisons, I am influenced by a natural partiality toward my native State and her institutions; but in according especial distinction to her, I would withhold no praise nor congratulation from the others. At the close of the war nearly all the floating bonds of Southern States were bearing liberal rates of interest, some as high as 8 per cent. To this general rule Georgia was no exception. She had out quite an issue of eights, and very few were under seven. Even these eights sold as low as 75c., and for several years all issues dragged heavily, and ruled at prices considerably below par. Slowly, but steadily, they appreciated, after an advance was once begun, until all classes crossed the face-value line, and Georgia's "I. O. U." was again worth a hundred cents on the dollar. The eights have all matured and been retired with new issues at lower rates. The sevens are nearly all redeemed, and even of sixes there are now comparatively few outstanding. The last obligation which the State issued was made about a year ago, when she marketed a thirty year 4½ per cent. bond at a premium. The entire issue was bought by a syndicate of New York and Philadelphia capitalists on speculation. The deal proved exceedingly

profitable. The bonds were rapidly resold at a material advance over the price which the State realized, many of them being drawn back home by the strong demand among general investors there, and an especial desire for them by those having the management and control of trust funds. It is also worthy of mention that \$2,000,000 of them have recently been sold to Paris at 107½, and while this is striking evidence of *foreign* confidence, it is no more assuring than the implicit trust of her own people, which makes Georgia's credit as high at home as it is abroad.

Municipal bonds of the principal cities of this State are now likewise held in very high esteem. Savannah suffered great financial disaster and indescribable affliction through the memorable epidemic of 1876. At this time her bonded debt was bearing 7 per cent. interest. The extreme depression in all business, and consequent difficulty in collecting taxes subsequent to the scourge, forced Savannah to the necessity of appealing for indulgence. She made no threat of repudiation, nor asked any compromise on the face of her indebtedness, but only begged a reduction of interest on her debt. This was allowed by her creditors, and the floating bonds then bearing seven were accordingly reduced in their rate of interest to five per cent. All these have since matured, and been redeemed by new issues bearing 5 per cent. These are now selling readily at several points above par. The way in which this record contributes materially to the evidence of general improvement in the South, is by comparing the present price of the five per cent. bonds with that at which the old sevens ruled, even before the epidemic. Such comparison shows a marked appreciation, despite the reduction of interest.

Augusta has made a very recent issue of bonds bearing 4½ per cent., which were readily sold at par. Nearly all previous issues are bearing 6 per cent., none a lower rate, but they command sufficient premium in open market to-day to justify the great reduction of interest on the late issue. In that city the vast cotton manufacturing interest of the South has so concentrated as to make the place known as "the Lowell of the South." The mills are large, numerous, and successful, some of them having a record of marvelous profit to their stockholders, and all combining in a history of sufficient prosperity to prove the success of cotton spinning in the South. The factories at Augusta involve several millions of money, give employment to nearly five thou-

sand operatives, disburse through their pay-rolls at least a million dollars annually, and turn out a yearly product amounting almost to the total of their aggregate capital.

These mills have naturally increased the population of the city very rapidly, and through them the taxable property of the place has been nearly doubled within the last 15 years. For a time it was thought a lack of skilled labor would put Southern mills at a serious disadvantage in competing with the long-established cotton factories of New England. A fair test has disposed of that fear, and the vast natural advantages of that section for spinning and weaving the staple of her soil have never been disputed. Capital has become enthusiastically converted to the faith, and consequently, while, according to the census report of 1880, the South had only 583,696 spindles, and consumed that year 188,744 bales of cotton, it is estimated that on September 30th, 1885, there were running 1,125,000 spindles, and during that year that 316,062 bales of cotton were consumed.

I return to the cities of Georgia, to make special mention of Atlanta, the State capital. This, the “Gate City” of Georgia (so called because of the many railroads entering it), is perhaps the most active and enterprising city of the South. Without any great number of large individual fortunes among its citizens, there are a few conspicuously rich men. Better than these for the town’s welfare, however, is an abounding flow of public spirit through the entire population. Men, women, and children have all their powers consecrated to the progress and general good of the city. The men work for it, the women pray for it, “the children cry for it.” This universal spirit of loyalty and untiring industry has lifted the city out of the ashes to which the war consigned it, and built it anew; making it noted for its energy, admirable for its thrift, and conspicuous for its financial credit. Fifteen years ago Atlanta floated an issue of 10 per cent. bonds with great difficulty at par, to-day her sevens sell at over 20 per cent. premium, and within the last six months she has marketed a 4½ per cent. bond at par.

Just at present railroads in Georgia are on a genuine boom. Those already established are doing a magnificent business, and yielding excellent returns upon the capital invested in them. This is constantly encouraging the consideration and projection of various new lines to facilitate the development of that vast wealth which abounds in the natural resources of the section.

The instances cited in Georgia are not exceptional to her borders, but are only fairly illustrative of the general condition of affairs in the South, compared with what they were twenty years ago.

Nearly all railroad and other corporate properties are untrameded by excessive fixed charges, and have only such liabilities as are commensurate with their earning capacity. Most of the cities are free from burdensome debt, and restricted by State law from increasing their obligations beyond a conservative limit, based upon the value of taxable property. The majority of the States, too, are enjoying the advantages of superior credit, and suffering no financial inconvenience. Few pressing needs are now apparent, yet further promotion of the general welfare may be effected through a liberal increase of banking capital, and legislation devising better methods for the prompt collection of loans, secured by real estate.

In any discussion of the New South, the negro becomes an important element, and, in fact, has monopolized so much of the thought that has been given to the subject, that to-day we find him inseparably associated with it. He is there to stay, and when all new circumstances, and conditions, and relations shall have worn themselves old, and the South with the lapse of years shall have lost its present prefix, the negro will be found fastened to her soil, and fenced in by her borders. In politics he is a problem that will solve itself; socially he will never rise above his own level; morally he will continue to be guided by the impulses of his emotional nature, and for their better direction let us look with hope to the probable results of his prospective education.

The harmonious relations which have been so generally preserved since the war between the negro and his former owners make a remarkable record, which redounds to the praise and honor of all concerned. It has required the profoundest consideration on the one side, and the most exemplary decorum on the other. The demands of the case were prodigious, and they have been most admirably met. Without such mutual observances, the South would have lingered in that desolation and poverty which the war entailed, and had even those miseries cruelly aggravated by arson, riot, and bloodshed. Instead of provoking such calamities, she has heroically lifted herself back to the high and fertile plains of prosperity, where the present is rich with ripe fruit, and the future blooms with luxuriant promise.

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